S. HRG. 99-121

NOMINATION OF S. BRUCE SMART, JR.

HEARING

BEFORE THE

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS UNITED STATES SENATE

NINETY-NINTH CONGRESS

FIRST SESSION

ON

THE NOMINATION OF S. BRUCE SMART, JR., TO BE UNDER SECRETARY OF COMMERCE FOR INTERNATIONAL TRADE

JULY 11, 1985

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NOMINATION OF S. BRUCE SMART, JR., TO BE UNDER SECRETARY OF COMMERCE FOR INTERNATIONAL TRADE

THURSDAY, JULY 11, 1985

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
Washington, DC.

The committee met, at 9:30 a.m., in room SD-538, Dirksen Senate Office Building; Senator Jake Garn (chairman of the committee) presiding.

Present: Senators Garn, D'Amato, Mattingly, Hecht, Proxmire, Cranston, Riegle, Dodd, Dixon, and Sasser.

OPENING REMARKS OF CHAIRMAN GARN

The CHAIRMAN. The Banking Committee will come to order.

The purpose of this morning's hearing is to consider the nomination of Mr. Stephen Bruce Smart, Jr., to be Under Secretary of Commerce for International Trade.

The President has made, in my opinion, a very fine nomination.

We are pleased to have you before us today, Mr. Smart. I know that Senator Dodd is on his way to introduce you, so possibly we could simply get over some of the formalities first, before he arrives.

The first order of business then will be to have you sworn.

If you would stand, please.

[Witness sworn.]

TESTIMONY OF S. BRUCE SMART, JR.

The CHAIRMAN. I might just go ahead and ask you the standard questions to begin with.

Will you make every effort in your service as Under Secretary of Commerce, not only to avoid conflict of interest but to avoid even the appearance of conflicts?

Mr. SMART. I will.

The CHAIRMAN. Do you agree to appear and testify before this committee and other duly constituted committees of Congress when requested to do so?

Mr. SMART. I do, unless specifically precluded by statute.

The CHAIRMAN. Your financial interests in various areas, include some that are involved substantially in matters of foreign trade. Do you intend to recuse yourself from participating in licensing or other decisions involving entities in which you have an interest?

Mr. SMART. I've already signed the recusal statement and will put all such assets in a blind trust and will, hopefully, very soon not know any connection between my holdings and the activities that I am involved in.

The CHAIRMAN. You have agreed to establish a qualified blind trust regarding assets you've obtained after assuming the position of Under Secretary; is that correct?

Mr. SMART. Yes, sir. I'll do that just as soon as I am confirmed.

The CHAIRMAN. With regard to your current assets, have you already instructed, or is it your intention to instruct your financial adviser to roll over your existing assets as quickly and as prudently as reasonably possible, so as to eliminate the knowledge of the identity of the assets?

I believe you already answered that.

Mr. SMART. I have already so instructed.

The CHAIRMAN. You've already answered all the questions.

Senator Proxmire, do you have any opening comments?

Senator PROXMIRE. No opening comments.

The CHAIRMAN. Senator Hecht.

Senator HECHT. No opening statement.

The CHAIRMAN. Well, would you like to start with your statement, and when Senator Dodd gets here, we will make sure his statement precedes your comments in the record.

Mr. SMART. I have a prepared statement here, which I will submit for the record and will make a brief summary of the comments for the record.

First of all, I am pleased and honored to appear before this committee and very much look forward to the assignment that lies ahead.

My background is that of a businessman. I have spent perhaps 35 or 36 years in that profession, most recently as chairman and chief executive officer of a large multinational company, the Continental Group, previously known as Continental Can Co.

I have also served on the boards of several international companies and have been involved in business organizations involved with practically every industry in the United States.

My views on the trade situation, I think, are significant. Several of you have asked me questions on it. The trade deficit is clearly huge and unsustainable. It is one of the principal reasons that this job interested and excited me. I think we need to do something about it. I think its causes are where you have to begin.

I see them as being the high value of the dollar, the rate of the U.S. recovery as compared to Europe, and as compared to the debt-ridden South American countries.

I see them as a problem of competitiveness of certain U.S. industries.

Finally, and what has been publicized, of course, tremendously, the uneven market access that we enjoy or perhaps don't enjoy, compared to the openness of U.S. markets that others are importing into.

My objectives have been requested by a number of the Senators I've talked to, and I might outline them quickly here. I think in any job like this, you have to pick a limited number of targets and try to vigorously go at them.

While I will obviously make every effort to vigorously enforce the trade laws that we have in front of us, in the policy area, there are two particular places that I think I can be helpful.

The first is, I would like to contribute to a comprehensive, well-articulated, understood, and vigorously implemented trade policy for the United States.

Second, I would like to leave the organization, the International Trade Administration, in good shape to continue on past my term in office under whomever may be the subsequent leader. I think it can perform a tremendous service to the economic security and advancement of the country if it is left professionally organized and staffed.

I am glad to have a window in my life, where it gives me a chance to spend a few years in this assignment and to be able to address some very large problems.

[The complete prepared statement follows:]

STATEMENT OF S. BRUCE SMART, JR.

UNDER SECRETARY - NOMINEE

BEFORE THE

SENATE COMMITTEE ON

BANKING HOUSING AND URBAN AFFAIRS

JULY 11, 1985

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

I AM PLEASED TO APPEAR BEFORE THIS COMMITTEE AS THE SENATE CONSIDERS MY QUALIFICATIONS TO BE UNDER SECRETARY OF COMMERCE FOR INTERNATIONAL TRADE.

EXCEPT FOR 5-1/2 YEARS IN THE ARMY, I HAVE SPENT MY WORKING LIFE AS A BUSINESSMAN, MOST RECENTLY AS CHAIRMAN AND CHIEF EXECUTIVE OFFICER OF THE CONTINENTAL GROUP, A "FORTUNE 100" DIVERSIFIED MULTINATIONAL CORPORATION ENGAGED IN PACKAGING, FOREST PRODUCTS, INSURANCE, AND ENERGY.

SOME OF YOU MAY KNOW CONTINENTAL BETTER BY ITS FORMER NAME OF CONTINENTAL CAN COMPANY. IN 1983, ITS LAST FULL YEAR OF OPERATIONS BEFORE LAST NOVEMBER'S MERGER, CONTINENTAL'S SALES EXCEEDED 5 BILLION DOLLARS AND TOTAL ASSETS WERE IN EXCESS OF 4 BILLION DOLLARS.

CONTINENTAL EMPLOYED AROUND 40,000 PEOPLE, OF WHICH ABOUT ONE-QUARTER WERE PART OF OUR INTERNATIONAL OPERATIONS IN CANADA, WESTERN EUROPE, SOUTH AMERICA AND THE PACIFIC BASIN.

I HAVE ALSO BEEN A DIRECTOR OF FIVE INTERNATIONAL COMPANIES, AND ACTIVE IN MANY TRADE ASSOCIATIONS AND OTHER BUSINESS AND CIVIC GROUPS. I HOPE TO BRING THIS BACKGROUND TO THE CHALLENGES THAT ARE AHEAD IN HELPING AMERICAN BUSINESS TO COMPETE IN AN INCREASINGLY COMPLEX AND DIFFICULT INTERNATIONAL MARKETPLACE.

AS A BUSINESSMAN I HAVE BEEN GREATLY HEARTENED BY THE ECONOMIC RECOVERY, INCREASED NEW JOBS, THE REDUCED INFLATION RATE, AND THE RENEWED VIGOUR AND DETERMINATION TO BE COMPETITIVE THAT IS PRESENT IN MOST OF AMERICAN INDUSTRY. THERE HAVE BEEN MANY ACCOMPLISHMENTS IN THE LAST FEW YEARS, AND WE NEED TO BUILD ON THESE ACHIEVEMENTS.

AT THE SAME TIME, I HAVE BECOME INCREASINGLY WORRIED OVER OUR HUGE AND GROWING TRADE DEFICIT, AND THE IMPLICATIONS IT HAS FOR OUR NATION'S FUTURE IF NOT BROUGHT UNDER CONTROL. I KNOW FROM MY RECENT VISITS WITH MEMBERS OF THIS COMMITTEE THAT CONGRESS IS ALSO VITALLY CONCERNED ABOUT THIS URGENT PROBLEM.

I AM PURSUADED THAT THIS TRADE DEFICIT IS IN LARGE PART A SYMPTOM OF SEVERAL UNFAVORABLE CONDITIONS WE NEED TO ADDRESS.

FIRST AND FOREMOST, THE HIGH VALUE OF THE DOLLAR CLEARLY PENALIZES EXPORTS AND ADVANTAGES IMPORTS. THE STRENGTH OF OUR RECOVERY HAS ALSO EXPANDED THE MARKETS AVAILABLE TO IMPORTS, WHILE THE SLOWER GROWTH OR DEBT PROBLEMS OF SEVERAL TRADING PARTNERS HAVE RESTRAINED THE OVERSEAS MARKETS WE SERVE. THE WELL DESERVED U.S. REPUTATION AS AN ATTRACTIVE AND SAFE PLACE IN WHICH TO INVEST ALSO INCREASES THE DOLLAR'S ATTRACTIVENESS VERSUS OTHER CURRENCIES.

SECOND, SOME AMERICAN INDUSTRIES ARE FINDING IT HARD TO BE COMPETITIVE AGAINST RIVALS EMERGING ABROAD, PARTICULARLY IN NEWLY INDUSTRIALIZING COUNTRIES. WE NEED WISE POLICIES THAT PERMIT INDUSTRIES AFFECTED BY IMPORTS TO RESPOND TO NEW COMPETITION OR REDEPLOY RESOURCES WITHOUT CRIPPLING OUR INDUSTRIAL BASE, WITHOUT FRUSTRATING NECESSARY PERMANENT RESPONSES TO CHANGING TECHNOLOGY AND ECONOMIC CONDITIONS. WE ALSO NEED POLICIES THAT ASSIST WHEREVER POSSIBLE THOSE INDUSTRIES WHICH CAN BE SUCCESSFUL EXPORTERS, BUT WHOSE COMPANIES ARE NOT YET REALIZING THEIR INTERNATIONAL POTENTIAL.

FINALLY, WE NEED ACCESS TO OTHER COUNTRIES' MARKETS JUST AS WE HAVE GIVEN THEM ACCESS TO OURS. OUR PROSPERITY AND THEIRS HAS BEEN BUILT ON GROWING INTERNATIONAL TRADE, AND WILL CONTINUE TO DEPEND ON IT. WE CANNOT TAKE AMERICA'S PRESENT GREAT ECONOMIC STRENGTH AS AN IMMUTABLE GIVEN; TO PRESERVE IT OUR INDUSTRIES MUST BE ABLE TO COMPETE ON THE MERITS OF THEIR GOODS AND SERVICES, WITHOUT BEING IMPEDED BY TRADING RULES TILTED AGAINST THEM. WAYS MUST BE FOUND TO OPEN MARKETS FURTHER AND TO HALT THE CURRENT DRIFT TOWARDS WORLD-WIDE PROTECTIONISM.

SOLVING THESE PROBLEMS IS ESSENTIAL TO OUR NATION'S LONG-TERM ECONOMIC HEALTH AND SECURITY. WE CANNOT STAY MILITARILY STRONG IF WE BECOME ECONOMICALLY WEAK.

TRADE IS ALSO IMPORTANT IN A GEOPOLITICAL SENSE. OUR LONG-TERM ECONOMIC SUCCESS DEPENDS ON HAVING TRADING PARTNERS WHO ARE POLITICALLY STABLE, STABLE BECAUSE THEIR CITIZENS ENJOY A RISING QUALITY OF LIFE BASED ON GROWING DOMESTIC ECONOMIES WHICH UNDERGIRD POLITICAL FREEDOM. THROUGH MUTUALLY BENEFICIAL INTERNATIONAL TRADE WE CAN HELP NON-ALIGNED DEVELOPING COUNTRIES FIND COMMON GROUND WITH UNITED STATES OBJECTIVES.

REGARDLESS OF OUR DESIRE TO IMPROVE AND INCREASE TRADE FOR PEACEFUL PURPOSES, WE MUST ALSO BE VIGILANT IN THE PROTECTION OF SENSITIVE PRODUCTS AND TECHNOLOGIES WHOSE ESCAPE INTO HOSTILE HANDS COULD JEOPARDIZE US EVEN MORE QUICKLY THAN ECONOMIC FAILURE. VIGOROUS AND EFFECTIVE ENFORCEMENT OF EXPORT CONTROL LAWS IS ESSENTIAL.

IN SUMMARY, I AM HOPEFUL THAT OVER THE NEXT SEVERAL YEARS I CAN CONTRIBUTE TO THE RESOLUTION AND MANAGEMENT OF THE IMPORTANT TRADE ISSUES THAT FACE THIS COUNTRY. CONGRESS PLAYS AN ESSENTIAL ROLE IN THIS PROCESS, AND I LOOK FORWARD TO HEARING YOUR IDEAS AND SHARING MY THOUGHTS WITH YOU AS WE GO FORWARD.

THANK YOU.

The CHAIRMAN. Thank you very much, Mr. Smart.

Senator Dixon, do you have any opening comments?

Senator DIXON. Mr. Chairman, I do have an opening statement, but in the interest of time, I will just place it in the record.

I find the reputation of Mr. Smart to be an excellent one. I am delighted to have him here this morning. If we could just put my statement in the record.

The CHAIRMAN. Normally, I would appreciate that, and we will put it in the record, but we are stalling for Senator Dodd. [Laughter.]

Senator DIXON. Well, Mr. Chairman, this marks my 35th year in elective public office. You are the first person who begged me to speak, and for that reason I am going to accommodate the Chair.

Senator HECHT. May I call for a vote? [Laughter.]

STATEMENT OF SENATOR DIXON

Senator DIXON. Mr. Chairman, this morning, we are here to consider the nomination of S. Bruce Smart to be Under Secretary of Commerce for International Affairs. This is an extremely important post, and Mr. Smart has some tough shoes to fill. His predecessor, Lionel Olmer, was extremely able and worked tirelessly to open foreign markets to U.S. exports.

I know I don't have to tell anyone here about the terrible trade problems we're facing. The trade deficit is at record levels and is climbing higher. U.S. exporters of manufactured goods and agricultural goods and American businesses competing in the services area abroad are under ever-increasing pressure. Foreign imports to the United States are climbing at rapid levels, but our exports are declining.

This is a situation that must be changed, and the Under Secretary of Commerce for International Affairs is one of the key policy-making posts that can help bring about that change. I recognize that a major source of our trade problems is the too strong dollar. From foreign trade barriers to U.S. exports, unfair trade practices by our foreign competitors, with respect to their exports and inadequate attention to promoting U.S. exports by the American Government are also important factors.

We have finally achieved final action on an Export Administration Act reorganization and taken some steps toward improving our competitive position in the international marketplace, but much more needs to be done.

I'm very interested, therefore, in hearing from the nominee this morning, and I thank him for his remarks. I want to learn his views on pending trade issues, on what American trade policy should be.

I look forward to working with him toward improving our trade position.

I want to tell you, Mr. Chairman, that was an absolute delight to make this presentation to you this morning. I thank you for inviting it. I want to thank Senator Hecht for his very close attention throughout my remarks. [Laughter.]

Senator HECHT. Senator Dixon, I wasn't paying any attention at all. [Laughter.]

The CHAIRMAN. Gee, we have a truthful group here this morning.

Senator Mattingly, do you have anything that you wish to say?

Senator MATTINGLY. I didn't know anybody lasted 35 years in politics.

No, I have no statement this morning. I will have a couple of questions for the record, Mr. Chairman.

Senator PROXMIRE. Mr. Smart, I have been going through your memberships, and I have never seen anybody who belonged to as many organizations as you do, distinguished organizations. You belong to an organization in Senator Dixon's State, the Chicago Yacht Club.

Senator DIXON. That is an excellent organization.

Senator PROXMIRE. It goes on and on and on. I am really impressed. The Milwaukee Country Club. You are a director of Rexnord, Inc., which we are very proud of in Wisconsin.

Mr. SMART. It's a wonderful company. I had to resign from that board about 3 years ago.

Senator PROXMIRE. That's the only black mark I've heard so far. [Laughter.]

But I am very impressed by your astonishing service in so many organizations. It certainly speaks well for you.

Mr. SMART. I should mention that those are past and present. As you live in different parts of the country, you find that you join organizations in one city, and then as you are moved by your company, you resign from those and pick up another group somewhere else. So I have not been a member of all of those at one time.

Senator DIXON. I wonder if we have a moment, if I could ask a question, Mr. Chairman.

Mr. Smart, in the course of your remarks in the short text that you have in front of me, you say here at page 3: "Finally, we need access to other countries' markets, just as we have given them access to ours."

I might say to you, when I go home to Illinois and visit with business houses in my State, this is a continuing, ongoing complaint that is raised by business interests in my State in their conferences with me. I was just at a place called Precision Drill in McHenry County in northern Illinois, a very excellent little company. It makes very fine drills. They told me, for instance, that our tariffs are very low for drills coming in here, but as an example, Argentina has a 200-percent tariff against the admission of American drills into their country.

One of my friends is a Budweiser beer distributor. He told me, and I have been in Mexico a number of times, he said: "You know, you can't buy Budweiser in Mexico." I said: "I noticed that." He said: "Well, you can't get it there. But," he said, "you can go to any grocery store or package liquor store in America and you can buy Carta Blanca, Dos Equis, any brand of Mexican beer you want."

I think American business has a reasonable complaint in that regard. I am not being partisan about this, I assure you. I think this has gone on for a long time, because I was in Mexico before President Reagan was President, you couldn't get Budweiser there then.

But the point is, why don't we ever address those problems? I think there is a growing frustration in the Senate. We had a 92-to-0 vote on a resolution by a distinguished friend and colleague from my neighboring State of Missouri, Senator Danforth, the chairman of the Commerce Committee. People said we were bashing the Japanese that day, but I think it wasn't that, it was just an expression of the outrage and the frustration of Senators about the uneven and unfair policies of our country.

This is getting to be a long question , but I just want to conclude by saying, I differed with the President's dropping of the voluntary restraints without having actual, concrete, positive commitments from the Japanese about what they would do about permitting our products to go into their country.

I think it is a known fact by everybody in American business that they do a great many things to prevent our goods and products from getting into their country through outrageous licensing laws and other rules.

So it is a very long question. I suppose I didn't even want to put you on the spot and get an answer this morning, but I'd like to say to you that I don't think I'm an individual, isolated case in expressing my frustration about this. I think it exists generally in the Congress, in both political parties, and I know it exists in the country. I think, believe it or not, it is the biggest question I face when I go back home. I don't hear anything about tax simplification. I hear a lot about budget deficits, yes, as they relate to the strong dollar and hurt our balance of trade with foreign countries, but principally, I hear about the outrage from business houses, labor unions, and the like, about the unfair trade practices of other countries.

Could you just give me a general comment.

Mr. SMART. Certainly. First of all, I clearly agree with you that the playing field is not level, and we need to do everything we can to make it so, in many, many instances. I suspect there may be exceptions to that in the case of developing countries, but generally speaking, it is one of the principal areas that we need to address. It is the result of a condition that is changing, and perhaps has not been recognized as changing, and it needs to be publicized.

Back in the 1950's and 1960's when a lot of us were growing up into our businesses or our careers, the United States was preeminent in the world in almost every industry you can think of. We've used that economic strength, I think wisely, to bring our former enemies, and to bring developing countries into the economic sunlight. And as they came there, they had advantages that were not reciprocally extended to us. They have protected their emerging industries while taking advantage of our markets.

It seems to me as I've been studying this in the last couple of months that some of them have taken this as an entitlement, an indefinite entitlement. Yet they have emerged to where they must join us as economically fully developed partners in the world and to do their share for developing nations, while opening their markets to a more level relationship with the United States.

I think this is one of the big challenges of the job, to help that process along without in some way causing all of the world, as it perhaps loses some of these entitlements, to turn against us.

Senator DIXON. I thank you for that.

I think in the case of specific goods, in particular, where we see theirs are coming in and ours aren't going in there, I don't understand why that is so difficult to address. I say that in an unpartisan way. I would say it to any administration that comes in before us. I just don't understand that.

Senator MATTINGLY. Mr. Chairman.

What did you refer to as an entitlement in your statement?

Mr. SMART. What I referred to as an entitlement was perception on the part of certain countries that they were entitled to ship into the United States on a fairly unregulated basis, but on the other hand, could prevent us from reciprocally having access to their markets.

The Chairman. Well, Senator Dodd, we have been anxiously awaiting your arrival, and we will hang on every word.

Senator DODD. You always do, Mr. Chairman.

Senator DIXON. Mr. Chairman, may I just say, as the only other member of the Democratic class of 1980, I am delighted to yield whatever time remains to the chairman of our class.

Senator DODD. It's a two-man class, Mr. Chairman.

The CHAIRMAN. I understand. I am a member of a two-man class, Senator Paul Laxalt and I, of 1974. He and I were the only survivors of Watergate.

So we are actually going to listen to you today, Chris.

OPENING REMARKS OF SENATOR DODD

Senator DODD. Mr. Chairman, first of all, I apologize to you and the witness before us. I want to see him confirmed, and I don't want to jeopardize his chances before he begins, but Bruce Smart is a resident of my home State of Connecticut, and someone that I have had the opportunity, over the last several years, to work closely with on a number of occasions. He comes to this committee, as he has to the Finance Committee, for consideration as Under Secretary of Commerce for International Affairs, with as much expertise and background as almost any other individual that I know of, who has come before these committees.

I am not only glad that he has been nominated, but delighted that he has decided to commit himself to public service, as an individual who didn't have to do this at all. He is extremely well situated and many others might have chosen easier outs, to stay in the private sector, than to come afoul of an issue like trade.

It is one of the most difficult issues we face. He and I don't always agree on every issue, but we agree, at least on fundamental questions, and he has been actively involved in calling for deficit reductions, going so far as to join with others in a bipartisan and public way in calling upon the administration, in fact, to seek whatever means may be necessary to reduce the Federal deficit.

So he has shown some tremendous courage, as well as some great expertise. I don't just say this because I happen to know him, because he is from my State, but I feel very, very confident that Bruce Smart is going to be a fine addition to the trade team working with Malcolm Baldrige and others, whom I have a high regard for as well.

Again, I am delighted, Mr. Chairman, to be here this morning and welcome him to this committee, and I'll do whatever I can.

I told him I'd speak for him or I'd speak against him, whichever he thought might help this confirmation process.

I am pleased, Bruce, and delighted that you decided to work with us over the next few years.

The CHAIRMAN. Given that same offer next year for my reelection, I invite you to Utah to speak against me. Thank you, Senator Dodd.

Senator Proxmire has a time problem, so as long as we're all out of order this morning, we'll stay out of order. So, Senator Proxmire, I recognize you.

Senator PROXMIRE. Thank you, Mr. Chairman.

Mr. Smart, as you know, on June 27, Congress, after a 2-year effort amended and renewed the Export Administration Act. One of our amendments set forth very clearly the respective roles of the Commerce Department and the Customs Service in enforcement of that act. This was to prevent repetitions of situations in the past where enforcement officials from the two agencies were often tripping over and even thwarting one another in enforcement of the act.

In particular, we give the Customs Service the sole responsibility for overseas investigation of Export Act violations, and the same sole responsibility was given to Customs at ports of entry and exit, unless Customs asks for Commerce's assistance.

We also directed the two agencies to show information related to enforcement matters fully. Will you take particular interest in this aspect of your duties to ensure that Congress' intention on this issue is carried out?

Mr. SMART. Yes, sir. First of all, obviously, I intend to enforce the law as it is written and will do so to the best of my ability.

Second, I have been distressed on occasion to find within the total universe of Federal agencies, certain questions of who's responsible and certain disagreements that arise over that. I've always tried to play on a team and I think wherever I see those things where the statute may not be too clear as to who should do what, I'll work very carefully to make sure that we work in the interests of the Government as a teammate of the other agency rather than as a rival of them.

Senator PROXMIRE. One prime purpose of the Export Administration Act of course is to prevent the diversion of our militarily critical technologies to the Soviet Union. The Soviets have a shopping list of expensively developed technologies. Commerce has not always acted as if it were fully aware of that. One clear, decisive advantage we have over the Soviet Union momentarily is in our superior technology. So often they're able to get it one way or the other—beg, buy, borrow, or steal what we have.

The President by directive in March 1984, gave DOD a role in reviewing some categories of West-West exports to certain countries where diversion to the Soviet Union is a problem. Because of that, Senators Garn, Heinz, and I, dropped our insistence on specific statutory provision to achieve this objective.

Would you make sure Commerce works closely with DOD to make sure the Presidential directive is clearly carried out? In par-

ticular let us know, if you don't know now, when DOD will start reviewing distribution licenses under that directive.

Mr. SMART. I know we are already working with them to put the provisions of the law into effect. Of course I will work to make certain that the provisions are carried out. I share with you, without being able to speak for what has happened in the past, tremendous concern about the escape of sensitive technology and I'm delighted to be involved in preventing that from happening in the future.

Senator PROXMIRE. That's good to hear because many of us feel that this is one of the most important aspects of our national security because it is an advantage we have. I think it's most important that we preserve it every way we possibly can.

Mr. Smart, I've been convinced for a number of years that this country's most important trade problem is our budget deficit which leads to misaligned exchange rates and a very unfair trading situation for our companies. This administration for years has refused to admit that the budget deficit is in any way connected with our trade problems. Let's review this issue.

Mr. SMART. I think as a private citizen I went on record as concurring with your views, Senator, and I have seen nothing that has caused me to change in the last 2 or 3 months.

Senator PROXMIRE. Can you make a rough estimate of our trade deficit which is related to misaligned exchange rate?

Mr. SMART. I think it's very hard to calculate something that you can come up and say it's 46.7 percent. I've heard figures all the way from one-third to two-thirds of the trade deficit being related to the strength of the dollar. My guess is that that's probably an appropriate range. I think it is the largest of the several factors bearing on it.

Senator PROXMIRE. On June 26 this year you appeared before the Finance Committee as that committee shares jurisdiction of the Banking Committee over the position for which you have been nominated. Senator Danforth asked you if you have any suggestions as to how we can gain greater access to Japanese markets. You said you were struck by the lack of leverage we have on that matter. What do you mean by that? Certainly we have plenty of leverage as we are Japan's largest customer for most of their major export items.

Do you think the Hitachi memo on marketing of semiconductors in this country that your predecessor Mr. Olmer raised with the Japanese during his final days on the job is a smoking gun that really reveals the true nature of the unfair competition we're facing in our trade with Japan?

Mr. SMART. I'm not sure I would look at that as a smoking gun. It certainly indicates that they intend to grab large shares of the market from what they perceive to be a favored cost position or a willingness to subsidize a product and I cannot tell you which part of their costs are subsidies and which parts are basic cost advantages.

I think when I referred to lack of leverage it was perhaps that there was nothing that they did not already have that we could give them that would in turn persuade them to give us something that we did not already have.

If we did have leverage it was only the threat of taking adverse action rather than the fact that we were already doing something.

Senator PROXMIRE. Isn't that an enormous leverage? The fact that we have a $37 billion average balance of trade with the Japanese, meaning that if we do restrict their imports it would have a profound effect on them. Their leverage with respect to us it would seem to me is almost nothing.

Mr. SMART. It is certainly true that restricting that would have a profound effect on them. It would probably have a profound effect on us, too.

Senator PROXMIRE. I'm sure it would have some effect. It would be inflationary at least. But doesn't that constitute a degree of leverage?

Mr. SMART. It constitutes a position from which we can talk and from which we have been talking, yes.

Senator PROXMIRE. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Proxmire.

Mr. Smart, I have a number of specific questions which I think I will submit to you for the response in writing.

[See p. 26.]

The CHAIRMAN. Rather than ask you questions what I would like to do is try to communicate to you some of my feelings about this problem and hope that in your position you would be very cooperative with the Congress as well as other agencies.

I first got involved many, many years ago in the problem of high-tech transfer, more specifically, in the general trade imbalance and the problem of distribution licenses not in just East-West trade but where I perceived the greatest diversions were occurring, namely West-West trade. We're in a situation where because someone who was supposed to be our ally, we therefore automatically trusted them, despite the fact that most of the diversions were occurring on a West-West basis rather than East-West.

As I studied the problem over a number of years I found several things. First of all, that one of our greatest difficulties was turf battles, and that we had a Commerce Department which by its very name was supposed to promote commerce and trade and represent business and hopefully sell American products. Certainly I would support that purpose and an attitude that almost anything that could be sold should be sold.

Also, there is a great bureaucracy looking at licenses to the extent that many things that certainly should not, did place roadblocks in the way of our businessmen trying to sell products. They were hamstrung for months and months and months, yet we were losing vital technology, it was slipping through.

On the other hand, there was the Defense Department which wouldn't sell anything if they had their way. As for the State Department, and the foreign policy implications of trade—I have yet after 11 years to figure out whether they have a policy or whether they know what they're doing down there because it changes so often.

As I look at this and try to decide how in the world we can free up trade that does not need to be restricted and quit inhibiting our businessmen; and at the same time do as much as we can to reduce

the flow of high tech that hurt us and caused us to spend more money for defense, to defend against our own technology.

I'm not one who normally likes to create new agencies but I suggested an Office of Strategic Trade, the so-called OST, on the basis that it was impossible to stop these turf battles because I've been promised that through several administrations, always with good intent, purpose, and sincerity, but it's never happened. The turf battles went on and in the meantime we had the computer cases that I won't take the time to go into now.

But you constantly read about some diversion. We caught it in Germany or we caught it here and it went through South Africa; it went through this country; and frankly, I just didn't have the votes through all this process in the Export Administration Act. I simply did not have the votes to create a separate agency which I'd hoped would be independent and not have these biases and would take a middle ground.

The Export Administration Act was a very long, tortuous process and I finally made a lot of concessions in order to get a new act so that the President didn't have to act under IEPA emergency procedures.

It's an improvement over the former law but I'm disappointed in a number of areas in what I had to agree to to get one. So all this is just a preface to saying that I'm not sure that we have solved a lot of these problems yet.

The President made the decision that Senator Proxmire referred to in regard to defense and West-West licenses and a number of things and I did not understand why, if the administration was willing to do that, in an Executive order they didn't want to put it into law; they didn't. And I said, well, that's fine for this administration, what about the next one or the next one after that. If it's good enough for this one why not put it into the law. That was not done.

So I guess what I'm driving at is not as much a question but a plea that in your new capacity you try to avoid the fact that you work for Commerce. You can't totally avoid it but try not to get coopted by the bureaucracy down there and become just an advocate for Commerce as you come in with your fresh viewpoint and continue it. You have a responsibility to this country first; not to the Commerce Department.

I hope that you will not automatically assume that Defense is wrong, or State is wrong, and Commerce is right. You can't just say you're going to follow the Export Administration Act. Senator Proxmire was also alluding to. That was the reason he asked you that question. That was what—Sure, you're going to follow the law. Everybody that ever comes here before this committee will say they will follow the law; Everybody from Commerce and Defense has. But the turf battles, I'm sure, skirted around it and caused a lot of problems.

I guess what I'm saying is, I want you to go beyond the law. I want you to try to stay independent of Commerce and take a fair look at this because the turf battles will continue. I don't really care whether we've got a new Export Administration Act or not. That won't solve it. It hasn't in the 10 years I've been watching this process.

So, I don't even know what I expect you to reply. I guess I'm delivering a message more than anything else. When you put a decade of your life into trying to accomplish something and see so little result, it gets rather frustrating. That's why I say I put it in in the form of a plea. You have excellent credentials; an excellent background. There is no doubt in my mind you have the professional skills and the intelligence to do a very fine job down there; if you're not co-opted and you will look at your central role as to try and promote trade while reducing the flow of technology and not worrying about where it's coming from. So that means losses now.

The President's directives said Defense is supposed to be able to look at some of these things. I hope you'll be cooperative with Defense—not overly cooperative. That level playing field you talk about—strive to find that.

Regarding the battle we had over Customs enforcement, the record is replete with the failures of Commerce to be able to enforce the laws. Certainly that was not intentional but Commerce is not a police agency; they have not been trained to and they're not supposed to be. Customs is. That is why we were trying to give the enforcement authority—you'll find in the record that Customs was normally the one that caught things. It's a matter of sharing information. As you dig into it you will be amazed at how unwilling these agencies have been just to share information with each other that would help in the enforcement.

So, again, I'm rambling on and on but do you have any response to my general plea?

Mr. SMART. Yes. sir.

First of all, I hear it. Second, I should assure you that I have decided to come down here first as an American and second as a member of the administration. Working for the Commerce Department is coincidental. That happened to be the job that was available and an exciting one. So I feel that I have to look at the interests of the country rather than of any particular executive department.

Third, I believe that most businessmen, certainly I, feel that if we were to lose our freedom to adversaries abroad there would be fairly high limbs on the hanging tree occupied by major business executives as well as by other responsible officials. We have a tremendous amount to lose if we damage our national security by unwise loss of technology.

The CHAIRMAN. I appreciate that and I offer my services and the services of this committee to work cooperatively with you to try and achieve the same goals that we both share.

Let me just get into one thing before my time is up on this round.

Congress or Commerce is at last finally looking at audit and review compliance and distribution licenses. Eighteen audits were conducted last year. Although this is an improvement there are 750 distribution licenses out there; they're going to do 50 audits this year. They hope to get to 100 audits per year. By the time they get to 100 audits per year we're anticipating there will be 1,000 distribution licenses out there.

So what we're looking at is the average distribution license holder can be expected to be audited once every 17 years. So although we're improving it, there's still a giant gap there.

Do you have any ideas or what do you think can be done to create more meaningful compliance in the distribution license area?

Mr. SMART. I understand that the Department budgeted a substantial increase in personnel and resources in this particular area and has been increasing resources for a number of years. I will take a look specifically at our ability to audit and see if the plans are adequate or if I think they should be increased. I know that the effort has been advancing possibly no faster than the problem. I'll take a look at it.

The CHAIRMAN. Senator Hecht.

Senator HECHT. Thank you, Mr. Chairman.

I, too, am impressed by your background. I come from the business world before I came here 2½ years ago and if we'd had more people here like you in the last 25 years, we wouldn't have to worry about the deficit.

On page 2, I'd like you just to elaborate on the one point. You say, first and foremost, the high value of the dollar clearly penalizes exports and advantages imports. The dollar was at its lowest level in about 8 months, now, I think I read in the paper yesterday.

As the dollar continues to drop, in your opinion, what will this do to our deficit, our trade deficit?

Mr. SMART. First of all, I think we have to separate the value of the dollar as measured in some market basket of currencies, from the trade weighted value of the dollar factored for how much of our imports come from Canada and Japan, particularly, and from Mexico, which are our three biggest trading partners. The dollar has dropped in that market basket 8 or 10 percent in the last several months. It's almost flat when you look at it expressed principally in the Canadian dollar, the yen, and the Mexican peso.

So, there has not been the same hoped-for relief, if you will, in our import-export balance as those figures you just quoted would lead one to believe.

As a matter of fact, this morning if we were to actually see an improvement in the relationship between the dollar and currencies of our principal trading partners, I think in a period of months you would see that reflected in an improved trade deficit, all other things being equal. It would not happen instantly because of the need for people's purchasing policies to adjust to change; but over a period of, say, 12 to 18 months, I think there would be a significant change.

Senator HECHT. Japan does not have a true floating rate. They can move it up and down more or less as they please I'm led to believe. What can we do about that deficit?

Mr. SMART. Again, I'm not a fiscal expert but there are those who feel that an opening up of the Japanese capital markets would improve that situation and help the yen to come closer to equivalence in purchasing power to the dollar. One of the objectives of an overall trade policy would be to loosen that up.

Senator HECHT. Do you see any movement in that way because they artificially move it around?

Mr. SMART. The people that I have heard speak on this would suggest that they're not artificially moving it around so much as the conditions affect it; namely, investment, high savings rate, and so on and so forth. Those conditions cause the year to be valued as it is. The yen isn't being manipulated directly, but its value is a reflection of Japanese economic policy.

Senator HECHT. Thank you. That's the only questions I have.

The CHAIRMAN. Thank you, Senator Hecht.

Senator Dodd.

Senator DODD. Thank you, Mr. Chairman.

Bruce, I wonder if you might comment. I made note in my opening remarks on the Federal deficit and we've heard some good news over the last 48 hours or so. There is a real possibility that we actually may be getting a plan before we leave here for the August recess.

But I wonder if you'd comment—you've mentioned this to me privately, but I wonder if you'd comment to the committee on the relationship between the trade deficit and the Federal deficit, and also—let me put it this way.

I think the Federal deficit and the trade deficit are the two most important economic issues this country faces. Tax reform is important; I don't mean to minimize it, but when it comes to degree of importance, I think on the agenda of the Congress of the United States, it's at the very least third, maybe fourth or fifth, given other legislation now coming out of these committees.

I wonder if you might comment on that point but also address the question of the relationship between the Federal deficits and the trade deficits?

Mr. SMART. Without regard to priorities, from my vantage point at least, the trade deficit has to come first, and an underlying cause of it, I believe, is the value of the dollar which I personally believe has some relation to the Federal deficit. The logical connection, though, is from the Federal deficit to interest rates to demand for dollars to the high value of the dollar relative to other currencies. While I know that you can find almost any view supported by at least some economists, that would be the view, it seems to me, that would be the most persuasive.

Senator DODD. The chairman mentioned to you as well his concern about the turf battles that go on over the question of licensing. I agree with him to the extent I suppose that I have always felt certainly we ought to be doing everything possible to promote exports in this country.

I, for one, have had great difficulty with the notion of contract sanctity to the extent that it would take a higher priority than the national security interests of this country. There are numerous examples where, had it not been for the fact that we did not have contract sanctity, we would have found ourselves in some very embarrassing political situations internationally were we not able—the President of the United States—was not able to exercise his leverage, economic leverage, in order to make clear to another government our deep concern or opposition to certain domestic or international policies in particular countries.

I wonder if you might comment on that notion and what your views would be?

Mr. SMART. Yes; I had an opportunity to travel with Secretary Baldrige to the Far East and to India and Russia in May. I was struck by the fact that in practically every specific project we discussed with governments, where our people were in competition with the French or the Japanese or some other country, that one of the principal arguments that our competitors made was that the United States' firm was an unreliable supplier. They would bring up the fact that the United States had made a deal, whether it be on the Soviet pipeline or whatever that was then abrogated by some action of the United States Government. Therefore, they could not count on buying equipment from the United States because maybe next year the Government would prevent parts of that equipment from being shipped. While I think the competitors' argument probably overstated the case, they clearly found a receptive audience in the purchaser. That was the first experience I'd personally had with it because it had never interfered with me in my private sector life.

I think that led me to believe that while we do need some way of responding to international problems short of armed intervention, and economic sanctions are such a weapon, it seems to me they must be used very, very carefully and the cost of this unreliable supplier concept must be fully evaluated before we use them.

I look back on sanctions, frankly, as having more of a moral statement value than an economic value because so many of the things that we shut people off from are available from other sources.

I think that we need to understand that there is a real cost when we move to abrogate a contract—and that is perhaps not fully understood by those who think they're going to teach some country a lesson.

Senator DODD. I agree with that. It's not an easy question. It's easy to talk about in the abstract.

You mentioned you were in the Far East. I spent about 3½ weeks last fall, in November and December, in the People's Republic of China with an extensive trip throughout that country. Now certainly there's a lot of optimism about this new direction that the People's Republic of China has taken. My own sense is, the prospects for significantly expanded trade, at least in the short term, have been a bit overstated. That's just too optimistic.

Did you get to the People's Republic of China?

Mr. SMART. Yes.

Senator DODD. I'd be curious as to what your perception was about the opportunities in the short and, say, midterm for significantly expanded trade.

Mr. SMART. My perception was that trade was a wonderful opportunity to assist in a geopolitical tilt of China toward the American way of thinking and toward free markets. But the chances of a tremendous amount of trade being generated over the short term is remote. They don't have much hard currency and they don't have a great ability to earn hard currency. What they do get they will use to improve their internal economy rather than to create consumer markets or other markets.

On the other hand, they will probably want American high-tech assistance. They will also want our assistance in upgrading their basic industries. Those are ways that we can talk with them and bring them more into our orbit. That is a very valuable opening but it's not going to be a huge dollar opening in the sense of supplying trade.

Senator DODD. I agree with you on that. I was also struck by the fact that there's been some maturation over the past several years on the part of the Chinese. They were looking for investment but they wanted 100 percent control. They've now moved from that position to one where they can really take U.S. investment, foreign investment, and to allow the investing company or nation to not even be a joint venture but they've gone beyond joint venture.

I'm still struck by the fact that they sound very interested in being able to get their hands on that high technology.

My own feeling was we ought to be a bit cautious about exchanging too much of that high technology without recognizing that probably in the longer term with the low wage rates and so forth, they'd be a tremendous competitor.

Mr. SMART. I think that is a very good point. There are 1 billion people over there and if they discover the free market and the wonders that it can work for them in the world, they would be very formidable.

Senator DODD. Again, I'm delighted you're here. I'm supporting you not only on this committee but on the floor of the Senate as well. Thank you.

The CHAIRMAN. Senator Sasser.

Senator SASSER. Thank you, Mr. Chairman.

Mr. Smart, in your prepared statement you point to a need for policies to assist industries that can be successful exporters but who, as you say are not realizing their full international potential. I think that that's an observation that leads to good policy if you could execute it. I have long thought that we are not realizing our full potential by any stretch of the imagination in exporting abroad.

I think that part of this problem even goes back to our mindset; our heritage of being a frontier country; being accustomed to constantly expanding our internal market. As this country pushed west during the time of the 19th century and the earlier portion of the 20th century as the population continued to expand, it just didn't seem to really develop an export psychology. Now we've become a more interdependent economy and that's the way we see it. Our balance of payments is going to pieces while in pursuit of whatever new markets we have around the world, with trade being lost partly as a result of the overvalued dollar, in my judgment. But there are a lot of other features in this inability to compete successfully.

My question to you would be how you intend to go about getting these companies that could be successful exporters—how do you intend to go about getting them to realize their full international potential?

Mr. SMART. I think that's a very hard question for any Government agency to answer by saying that it will do these things, because I believe the role of the Government is to create conditions in which certain things can be done by the private sector.

In that particular instance, we have within ITA, the United States and Foreign Commercial Service, which represents about half of our personnel. It includes offices in 60 U.S. cities where it performs outreach efforts aimed at small- and middle-sized companies. The Foreign Commercial Service branch is located in over 60 foreign cities, with commercial people attached to the Embassy but who are aware of opportunities for American companies in those countries and are passing that information back through the system to the potential exporters.

I think that should be invigorated and we should continue what we've been doing to get more experienced businesspeople into that organization.

Trade fairs is another way to get more small- and medium-size exporters. The Department sets a pavilion and sell space with no out-of-pocket costs. We encourage it and make it possible for the U.S. companies in the aerospace and other industries—not just the big ones but small ones that might sell instrumentation or components—to be present at that show which would be not possible, I think, were we not doing that. I think we should be doing more of that to get companies to be effective exporters.

Senator SASSER. Do you have any particular industries in mind when you refer to those companies that are not realizing their full international potential with regard to exports?

Mr. SMART. I really haven't stopped to write down a list of such industries but clearly it would be those industries that have a competitive advantage in the world or at least those who are equal players.

Senator SASSER. Let me ask you one question about small business. It's been my perception, that in our economy, small business to a great extent has become the innovator in American business. I would like to see plans developed for allowing small business enterprises in the United States to develop their full potential as exporters. Can you conceive of any policy that might be enunciated under your guidance which would do this?

Mr. SMART. I think small business is such a big universe that it's hard to make it one single thing; it's like services, there are just a variety of them. One thing I've noticed that many small businesses are suppliers to components of larger companies. For example, as Boeing is successful in exporting aircraft, many smaller suppliers of Boeing find their products being carried overseas through that channel of distribution. The really small companies have their best export opportunity as suppliers to larger companies who are exporters.

Senator SASSER. I just want to make this statement, Mr. Smart. I have read your list of qualifications here, and they are quite impressive, but I feel that we must develop a more aggressive policy with regard to encouraging export in this administration, and I won't point to just this administration, also to previous administrations. As you know, our trade deficit is at an all-time high. It is getting worse, and we can't simply point to the problems with the overvalued dollars as being the only problem, because we were developing trade deficits even before we had such a rapid run up of the dollar vis-a-vis other currencies in the world.

I have long thought that we need to take more aggressive steps at the governmental level in conjunction with private industry, trying to aggressively develop export markets, and we're going to have to do that, in my judgment, if we're going to survive and continue to grow economically, as we move toward the year 2000.

That's my message. I'm glad to see you here today.

Mr. SMART. I've received your message, Senator. Thank you.

The CHAIRMAN. Senator Riegle.

Senator RIEGLE. Thank you, Mr. Chairman. As usual, this morning multiple committees are meeting, so we have to move back, and forth, between committees.

Mr. Smart, you and I have had the chance to talk some outside of the committee room, but I would like to ask you today, on the record, three things, and I will go through them directly here.

As you know, the President's Commission on Industrial Competitiveness found considerable disorganization in the formulation and implementation of U.S. trade policy, and they strongly recommended a single coordinating authority.

I'm wondering what your thoughts are on the current organizational structure of our trade policy apparatus and what thoughts you may have along the lines of the need for some kind of streamlined Department of International Trade and Industry.

Mr. SMART. I think if I go back to my experience in the private sector and compare the position of a chief executive of a conglomerate with the situation here, I would surely guess that such a chief executive would have searched for a way to focus attention in a single department or at least more closely and not dispersed throughout the Federal Government. I know there are a lot of reasons why the reorganization did not take place. They probably have to do with the matrix responsibility for trade. You have stated Agriculture, Labor, U.S. Trade Representative [USTR], Commerce, and so on, being in there.

Given that we are organized as we are, my first priority, frankly, is not to move forward from my position to reorganize the Government, but rather to try to make the system that we have work by teamwork between the agencies that have the same trade problems.

I think we can perhaps do more than has been done, although I agree with you, if there was a single Department of Trade, as many other nations have, it might be easier.

Senator RIEGLE. How many people, approximately, work for the Special Trade Representative?

Mr. SMART. I think it is on the order of 200 or a few less.

Senator RIEGLE. Let's say it is 200 or thereabouts. How many people are involved in the trade area in the Commerce Department where you will be working?

Mr. SMART. In the International Trade Administration, which is my proposed area, there are about 2,800 people. Of course, there are some others elsewhere in the Commerce Department also, who are concerned with trade.

Senator RIEGLE. About 2,800?

Mr. SMART. Yes, sir.

Senator RIEGLE. It seems strange to me that the one organization with 200 people is, in a sense, given the charge of leading the

effort, while another organization in the same field of activity with 2,800 employees is sort of given less than the lead role.

It seems to me, and we could go on and cite other areas of Government, where there are trade activities set up with still additional people going off in other directions, but I worry that we have the tail wagging the dog in a structural sense. Now that is a sensitive issue, I suppose, for you to talk about, even if you happen to share any of that thinking. But it's a matter of concern to me when I see the trade deficit worsening by the day and seeing us become a debtor nation last month, according to Secretary Baldridge, for the first time since 1914, and within 1 year's time, we will owe the rest of the world more money than any other country. We'll surpass Brazil and Mexico and become the chief debtor nation in the world.

So there is a hemorrhage going on on the trade side. But it seems to me, if you can manage to help bring about the teamwork, as you say, between these fragmented authorities, that will be a major contribution. It also occurs to me that that job might be easier, if we could find a way to effect a rational consolidation, if we could somehow sort of bring people into the same organizational structure, and even have people under one room, so we didn't have people scattered out all over the map with different charters and different activities.

I just don't know if we are going to be able to turn this thing around, if we can't have some centralized point of control. That is a great concern of mine.

Mr. SMART. Senator, as you know, the Secretary of Commerce attempted in past years to cause something like that to happen. It did not happen. In the analogy of the tail wagging the dog that you just used, I guess I'm the dog. I don't think the animal will be very happy if tail and dog are separated from each other. So we are going to try to work as effectively as we can with the USTR under the current situation.

Senator RIEGLE. The 1974 Trade Act established a process for bringing private sector advice through the identification of trade policy goals, as you know.

With regard to the proposed upcoming multilateral trade negotiations, could you just give me a sense of your experience or knowledge of that process and how you think it may be working at the present time, in terms of bringing in and giving sufficient weight to private sector thoughts and dealings on these issues?

Mr. SMART. The administration is in the process of upgrading, reconstituting, maybe, is a better word, the President's Export Council, which is a group of business men and women under the leadership of David Scott and Alex Chalmers that have been selected to give counsel to the White House in just that area. They will be helpful in determining how to go about the multilateral negotiations and the GATT. I think they can be helpful well beyond that, though, because that would be only one element of a trade policy.

Senator RIEGLE. I know there is considerable concern among the official industrial sectors advisory committees that we are not adequately prepared to go into another MTN at this particular time. Even if we were, with the substantial currency misalignment problem that we have, this wouldn't be the best time to try to do it

anyway. But I am concerned about the question of their feeling that there has not been enough of a pointed, focused discussion on the industrial sector problems. I am just wondering if you have heard that, if you are aware of that, or what thoughts you have about how we might deal with that.

Mr. SMART. I think I haven't heard it quite that way. As far as preparation for the General Agreements on Tarriff and Trade [GATT] round goes, you will be interested to know there was an interagency meeting at 7:30 this morning discussing some of those very subjects. So there is quite a lot of work going on in the administration to try to get at the prenegotiation preparation, if you will, for that. One of the things discussed was how to bring in the private sector, and the Congress, into that process.

Senator RIEGLE. In the earlier discussion, while I was attending another committee, did you lay out the breakdown that you shared with me in our private conversation about the component parts of the present trade dilemma? You divided it essentially into four areas, that you thought were contributing.

Have you outlined that?

Mr. SMART. Yes; it's in my prepared statement.

Senator RIEGLE. I wanted to make sure that was on the record, because I thought that was a very helpful definition of the problem.

I just want to conclude by saying that I appreciate the fact that you are willing to come into Government service at this point, and particularly in this difficult, challenging and vitally important problem area. I think we have been a little light in this administration and the previous one in having people with a solid industrial, manufacturing kind of experience and background and with the know-how that comes from managing large and complex organizations.

I think we need more of that kind of skill in the Government system, and especially in some of these critical bottleneck areas, where we seem to be not performing well, for a combination of reasons, including, I think, poor organization or fragmented organization.

So I think you bring the kind of background experience that can be very valuable, and I hope it will prove to be valuable. I hope you'll find that you can make the kind of difference that I think you are clearly equipped to make, if the system is willing to let that happen.

I guess we'll all find out whether that is the case, but I would again remind you, if I may, as I've said to you in our other conversation, that time is really of the essence here. I think we're caught in a downward spiral situation, in terms of the trade dynamics. A political calendar superimposed on that could further complicate this problem in such a way that there might be some things we could do now that we couldn't 6 months from now, some things we could now that we couldn't do 1 year from now. I don't want to see us miss those opportunities, and I know you feel that way. But I just want to emphasize that too, because I think we're late in responding.

Therefore, it is urgent that we make some difference almost immediately. I wish you well in that task.

Mr. SMART. Thank you. I agree with you completely on the need for as prompt action as possible.

I hope my confirmation is part of that prompt schedule. [Laughter.]

Senator RIEGLE. You're in good hands with the chairman here and others of us here who would like to see you in this job sooner rather than later.

Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Smart, there are some additional specific questions that we will submit to you for response in writing.

[Response to written questions of Senators Garn, Mattingly, and Goldwater follow:]

RESPONSE TO WRITTEN QUESTIONS OF SENATOR GARN

QUESTION

Some have criticized the Export-Import Bank as being welfare for the rich, Boeing's Bank, an unnecessary subsidy, and so forth. How do you see the Eximbank? What is its role in our trade picture, and just how necessary is it?

Answer:

The great bulk of U.S. exports are sold without any financing whatsoever from Eximbank or any other Government agency. This is entirely proper; Eximbank should defer to private lenders to the maximum extent possible. Hence, Eximbank's role is a limited, but key one in our total trade picture as well as for many key U.S. industries.

There are two main justifications for Eximbank financing, in my view. The first is to counter foreign government-subsidized credit competition. I certainly do not advocate subsidizing U.S. exports, but neither do I believe that U.S. firms and workers should be the victims of foreign credit subsidies. Second, Eximbank should overcome imperfections in the capital markets-- for example, if private lenders are reluctant to finance exports of smaller firms or exports to a particular country. In such cases, Eximbank should, within prudent business practice, provide support to facilitate the export sale.

With regard to Eximbank assistance to larger firms, I would make three points. First, Eximbank direct credits and financial

guarantees--which are used primarily to support larger projects sponsored by major U.S. corporations--typically comprise less than half of Eximbank's total activity. In FY-1984, these two programs constituted slightly over $2 billion of Eximbank's $8.6 billion total activity. Eximbank's other programs--insurance and medium-term guarantees--cover the type of export business of greatest interest to small firms. Second, many smaller firms act as subcontractors and suppliers of component parts to larger exporters. In effect, the products of these smaller businesses are exported under the "names" of the larger firms. Third, a case-by-case review would reveal that Eximbank support for larger firms is primarily in the form of meeting foreign government-subsidized competition or to overcome capital market imperfections--not support of large firms for its own sake.

In conclusion, I would like to affirm that smaller firms are, and should be, a principal emphasis of Eximbank activity. Such firms should receive at least as favorable treatment as larger firms. But I also believe that larger firms should not be deprived of Eximbank assistance simply because of their size.

QUESTION:

The President this year directed that the Department of Defense participate in the review of individual validated export licenses to various Western countries. Are you prepared and willing to implement the second phase of the President's directive, which is to begin Defense participation in the review of applications for Distribution Licenses? If so, what do you see as the timetable for Defense participation?

ANSWER:

The President's directive of January 4, 1985 restated his basic instructions of March 22, 1984 on this matter. These two documents establish the following process:

1. An initial period of Defense review of individual validated license applications, evaluated by an NSC-chaired Monitoring Committee, followed by

2. Defense review of distribution license applications relating to a few carefully preselected commodity lines for one or two countries as evaluated by the Monitoring Committee, followed by

3. Gradual broadening of Defense distribution license review according to the Monioring Committee's recommendations.

Consistent with these instructions from the President, I am prepared to implement Defense review of distribution license applications. The timetable for this activity is dependent on a final analysis of Defense's review of individual validated licenses.

QUESTION:

The amendments to the Export Administration Act that Congress just passed prohibit Commerce from conducting Export Administration Act enforcement activities abroad, except for the antiboycott provisions. In your position will you see to it that Trade Administration strictly limits its Export Administration Act enforcement activities to the United States?

ANSWER:

The Export Administration Amendments Act of 1985 grants authority to the Secretary of Commerce to "conduct outside the United States pre-license investigations and post-shipment verifications." I will direct Trade Administration to carry out its overseas enforcement responsibilities in a manner that is consistent with this law.

QUESTION:

The recent Export Administration Act amendments require Commerce and Customs to share as widely and broadly as possible information with one another to enforce the export control laws. In your position, will you direct Trade Administration to give Customs free and uninhibited access to information that Customs needs to do its job in enforcing the Act?

ANSWER:

The Department of Commerce will provide to Customs all information it needs to enforce the Export Administration Act. I would expect Customs to reciprocate.

QUESTION:

Senator Proxmire, Senator Byrd, myself and others have been critical of the fact that Commerce has in the past promulgated new export control regulations without giving DoD and other appropriate agencies a chance to review and comment on the regulations prior to their issuance. In the most recent example, Defense saw the final version of the new Distribution License regulations at the same time that the Soviet Ambassador did. The law will now require Commerce to submit such regulations to Defense and State prior to such issuance. Will you see to it that this submission is done in a way and with enough time so as to allow meaningful review of the new regulations by these agencies prior to the publication of the regulations?

ANSWER:

I can assure you and your colleagues that, as in the past, I will continue to provide other agencies with an opportunity for adequate and meaningful review of Commerce regulations. I am compelled to note, however, that our repeated efforts to elicit comments from the Department of Defense in the first half of 1985 on our Distribution License regulations were to no avail. We can do no more than provide the opportunity to comment.

RESPONSE TO WRITTEN QUESTIONS OF SENATOR MATTINGLY

Q. Our trade policy in the past has often lacked coordination, appearing to be too often like the terrible problems currently in the Western part of the United States, rushing from one brush fire to another and failing to get the entire problem under control. There is a lot of activity, resources are stretched to their limits, but we fail even to hold our own. What can we do to deal with our trade problems in a coordinated way? So much of the Governmental authority for trade policy would be within your jurisdiction. How would you deal with the problem in a more comprehensive and organized way so that we can get the trade problems under control?

A. I am committed to ensuring that trade policy is effectively and efficiently coordinated, both within the Executive Branch and between the Executive Branch and the Congress.

Congress has given the U.S. Trade Representative the mandate for trade policy development, and he acts as first among equals in a process that includes the Commerce Department as well as a number of other agencies. There is a formal inter-agency process, which culminates in the Cabinet-level Trade Policy Committee, to ensure that all agencies' interests are heard in the formulation of trade policy. In addition, the Economic Policy Council--another Cabinet-level forum reporting directly to the President--ensures that our trade policy goals and objectives are coordinated with our overall economic policies.

We have a particularly good opportunity at the present time to ensure that these institutions work. Ambassador Yeutter recently assumed office at USTR. I have had numerous meetings with him--in fact I spent a recent weekend with Ambassador Yeutter and a number of our counterparts from the EC, Canada and Japan--and I feel comfortable with him as a person and with his views. I think the Commerce Department can contribute some

unique and very valuable resources to the formulation of trade policy. But I also intend to ensure that we work closely with Ambassador Yeutter and the other agenices in the formation and implementation of a single voice trade policy.

I also think it important that we coordinate with this Committee, the Finance Committee, and other interested members of the Congress. Congress has given us important new tools--the new Export Administration Act as well as last year's Trade and Tariff Act--which will help us implement our policies. I think it important that we continue to consult closely with Congress as we do so.

Q. Mr. Smart, you and I have touched briefly on the subject of U.S. trade policy in general. I wonder if you would please answer, for the record, the question of does the United States have an effective trade policy? For that matter, does this country have any trade policy at all?

A. I believe we do have a trade policy. At the same time, I have sympathy with those who would argue that we have perhaps not been as effective as possible in articulating that policy, either domestically to our trading partners. One of my early priorities will be to work with my counterparts in other agencies to ensure that our trade policy is clear to all.

Our policy is one of ensuring the continued competitiveness of American firms, both at home and abroad, while guaranteeing to American producers and consumers the benefits of a free and open trading system. Our trade policy includes a number of actions on both the domestic and international fronts to accomplish these goals. These include:

- o a commitment to strong, non-inflationary growth at home;

- o the reduction of a self-imposed export disincentives, regulatory barriers, and other government policies which hurt our export capability;

- o the aggressive enforcement of U.S. trade laws and international agreements to ensure the maintenance of free but fair trade in our import and export markets;

- o steps to ensure, whether through bilateral or multilateral action, that our trading partners live by these agreements as well, and

- o efforts to improve the rules of the trading system and expand its disciplines to new areas of trade through a new round of multilateral trade negotiations.

Our policy is based on the long-term notion that free trade, maintained through the multilateral system, is in our best economic interests. At the same time, we need to realize that this remains a goal and is not yet a reality. Hence the need for an active U.S. trade policy designed to ensure the protection of U.S. rights internationally and the fair treatment of American commercial interests. A major element in our policy is priority attention to lowering foreign barriers to U.S. exports.

RESPONSE TO WRITTEN QUESTIONS OF SENATOR GARN
AT THE REQUEST OF SENATOR GOLDWATER

Question:

I want to ask a question on behalf of the United States home satellite dish industry. Can validated licenses be eliminated or at least speeded up for exports to allies of low technology home satellite television reception products known as TVRO's? These home entertainment systems have been mislabeled as "radio relay communications equipment" even though they are receive-only products and cannot be used or modified for transmission. The receivers, small antennas and other components, are already widely available in world markets. How do you feel about this subject?

Answer:

The new Export Administration Act eliminates licensing requirements for exports of "low" technology products to CoCom countries (Japan and the NATO allies, except Iceland). Therefore, some TVRO's, depending on their configuration and end use, will be decontrolled to the CoCom countries.

Currently TVRO's are controlled by CoCom under ECCN 1520A. The Department of Commerce agrees that home entertainment TRVO's should be specifically freed from control. We will therefore be making specific proposals for amending the CoCom controls to free this equipment during the next CoCom list review.

Currently licenses for CoCom countries are being processed on a "Fast-Track" basis. Average licensing time is on the order of 20 days. We hope to continue to improve this processing time so that products that are controlled will be expeditiously processed.

The CHAIRMAN. I do not see any problem with your nomination proceeding rapidly. I think you have a very distinguished background and are very well-qualified and an excellent choice by the President. We will expedite your nomination as rapidly as we can.

Do you have anything you wish to say in closing?

Mr. SMART. Mr. Chairman, only, thank you very much. I enjoyed the meeting with the Banking Committee. I see occasional spurts of fun in your serious work.

The CHAIRMAN. You have to around this place. [Laughter.]

Thank you very much.

[Whereupon, at 10:35 a.m., the hearing was adjourned.]

[Biographical sketch of nominee follows:]

STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES

Name: Smart (LAST) Stephen (FIRST) Bruce Jr. (TITLE)

Position to which nominated: Under Secretary of Commerce for International Trade

Date of nomination: June 5, 1985

Date of birth: 7 (DAY) 2 (MONTH) 21 (YEAR) Place of birth: New York, N.Y.

Marital status: Married Full name of spouse: Edith Merrill Smart

Name and ages of children: Edith M.S. Moore (34) Priscilla S. Schwarzenbach (30)
William Candler Smart (33)
Charlotte M. Rogan (31)

Education:

Institution	Dates attended	Degrees received	Dates of degrees
Milton Academy	1936-1941	H.S. Diploma	1941
Milton, Mass.			
Harvard College	1941-1942	A.B.	1945
Cambridge, Mass.			
Massachusetts Insti-	1946-1947	S.M.	1947
tute of Technology			
Cambridge, Mass.			

Honors and awards: List below all scholarships, fellowships, honorary degrees, military medals, honorary society memberships, and any other special recognitions for outstanding service or achievement.

Various undergraduate scholarships at Harvard

Sigma Xi

Olin Fellow, Fairfield University, Fairfield, CT

Memberships: List below all memberships and offices held in professional, fraternal, business, scholarly, civic, charitable and other organizations.

Organization	Office held (if any)	Dates
Please see Attachment "A"		

Employment record: List below all positions held since college, including the title or description of job, name of employment, location of work, and dates of inclusive employment.

1/81-2/85	Continental Group, Inc.	Harbor Plaza Stamford, CT	Chairman and Chief Executive
1/80-12/80	Continental Group, Inc.	Harbor Plaza Stamford, CT	Chairman & Chief Operating Officer
* 12/75-12/79	Continental Group, Inc.	633 3rd Avenue New York, N.Y.	President & Chief Operating Officer
10/73-1975	Continental Can Co.Inc.	633 3rd Avenue New York, N.Y.	Vice Chairman Domestic Operations
7/73-10/73	Continental Can Co.Inc.	Office Park II Greenwich, CT	Exec.Vice President Forest Products Oper
1968-7/73	Continental Can Co.Inc.	633 3rd Avenue New York, N.Y.	Exec.Vice President Forest Products Oper
1/65-1968	Continental Can Co.Inc.	633 3rd Avenue New York, N.Y.	Vice President Marketing & Plannin
1/61-12/64	Continental Can Co.Inc.	135 S. LaSalle St. Chicago, IL	General Management
7/'59-12/60	Continental Can Co.Inc.	Olin Mathiessen Bldg.Baltimore, MD	General Management
1956-7/59	Continental Can Co.Inc.	735 N. Broadway Milwaukee, WI	Sales Management
5/53-1956	Continental Can Co.Inc.	100 East 42nd St. New York, N.Y.	Sales Administration
6/51-4/53	Active Duty with U.S. Army		
8/47-6/51	The Permutit Co.	West 42nd St. New York, N.Y.	Sales

* Continental Can Company, Inc. was renamed Continental Group, Inc. in 1975

Government experience:

List any experience in or direct association with Federal, State, or local governments, including any advisory, consultative, honorary or other part-time service or positions.

Member, National Petroleum Council, Department of Energy (resigned effective March 4, 1985)

Published writings:

List the titles, publishers and dates of books, articles, reports or other published materials you have written.

None specifically. Two or three speeches (copies attached) have been edited to be chapters of books published by others.

Political affiliations and activities:

List all memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.

Registered Republican.

Active in fund raising in 1982 for Congressman Stewart McKinney (R), 4th District of Connecticut.

Political contributions: Itemize all political contributions of $500 or more to any individual, campaign organization, political party, political action committee or similar entity during the last eight years and identify the specific amounts, dates, and names of the recipients.

1985	The President's Dinner, 2 tickets	$3,000.
1984	Campaign America	1,000.
	Nat'l. Republican Senatorial Cmte.	1,000.
	Victory '84	500.
	Richardson for Senator	500.
	Continental Group Civic Association	2,000.
	Stewart McKinney for Congress	1,000.
1983	Committee to Elect Stewart B. McKinney	1,000.
1982	Friends of Stewart McKinney	1,000.
	Friends of Prescott Bush	950.

1981 and before: Miscellaneous small contributions, none of which was as much as $500.

Qualifications: State fully your qualifications to serve in the position to which you have been named. (attach sheet)

Please see Attachement "B"

Future employment relationships:

1. Indicate whether you will sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate.

Please see Attachment "C"

2. As far as can be foreseen, state whether you have any plans after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization.

I have no such plan or obligation

3. Has anybody made you a commitment to a job after you leave government?

No

4. Do you expect to serve the full term for which you have been appointed?

Yes

Potential conflicts of interest:

1. Describe any financial arrangements or deferred compensation agreements or other continuing dealings with business associates, clients or customers who will be affected by policies which you will influence in the position to which you have been nominated.

None that I perceive to be a conflict of interest.

See Attachment "C".

2. List any investments, obligations, liabilities, or other relationships which might involve potential conflicts of interest with the position to which you have been nominated.

None except possibly equity investments selected by an investment advisor. These will be put in a blind trust.

Please see Attachment "D"

3. Describe any business relationship, dealing or financial transaction (other than tax-paying) which you have had during the last 10 years with the Federal Government, whether for yourself, on behalf of a client, or acting as an agent, that might in any way constitute or result in a possible conflict of interest with the position to which you have been nominated.

I had occasional contact with government in connection with activities of the Business Round Table and my company. I have resigned from these positions and see no possible present conflict of interest.

4. **List any lobbying activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation at the national level of government or affecting the administration and execution of national law or public policy.**

I have been a member of the Business Roundtable during the period 1981-85 as a consequence of my position as Chief Executive Officer of Continental Group. In that capacity I have participated in a number of calls on government officials urging action to reduce the federal deficit. I also signed newspaper ads to the same effect, along with many other business, academic and former government leaders. Over the last ten years, I have made occaisional visits and written letters to Congressmen and administration officials to discuss issues of importance to my company, including such subjects as taxes, oil and gas price controls, antitrust legislation, and mandatory deposits for one-way beverage containers. I have also written occaisional letters to the editor and otherwise commented publically on these matters.
I know of no instance in which my views so expressed could be classed as extreme.

5. **Explain how you will resolve any potential conflict of interest that may be disclosed by your responses to the above items.**

Should a conflict of interest situation arise, I would delegate analysis and decision-making to the appropriate Assistant Secretary, or if the matter spanned more than one segment of the International Trade Administration, I would ask the Secretary of Commerce to handle it.

Civil, criminal and investigatory actions:

1. **Give the full details of any civil or criminal proceeding in which you were a defendant or any inquiry or investigation by a Federal, State, or local agency in which you were the subject of the inquiry or investigation.**

Chase Manhattan and its Directors were sued for damages by certain shareholders as a result of losses arising out of the bankruptcies of Drysdal Government Securities and Penn Square Bank. These suits have been dropped. Continental Group and its Directors were sued by certain preference shareholders to recover presumed damages resulting from our merger agreement. A settlement is being negotiated.

2. **Give the full details of any proceeding, inquiry or investigation by any professional association including any bar association in which you were the subject of the proceeding, inquiry or investigation.**

None.

STEPHEN BRUCE SMART, JR.

ATTACHMENT "A"

MEMBERSHIPS:

Name In Full	Address	Type	From	To	Office Held
The Continental Group, Inc.	1 Harbor Plaza Stamford, CT	Diversified Business	May '53	March '85	Chairman & CEO, President, Executive Vice President, Vice President
Chase Manhattan Corporation & Chase Manhattan Bank, N.A.	1 Chase Manhattan Plaza New York, New York			Present	Director
GTE Corporation	One Stamford Forum Stamford, CT			·t	Director
Celanese Corporation	1211 Avenue of				Director
Rexnord, Inc.	350 N. Sunny Brookfield, Wi				Director
The Nature Conservancy	1800 North Ker Arlington, Virg				Governor, Vice Chairman of Board, Chairman, Corporate Relations Com
Smith College	Northampton, MA				Trustee, Vice Chairman of Board
American Enterprise Institute	1150 17th Street, NW Washington, D.C.			.ent	Trustee
The Conference Board	845 Third Avenue New York, NY	Business Organization		Present	Trustee

Economic Club of New York	275 Madison Avenue New York, NY	Business & Social Organization	1980	Present	Trustee
National Executive Service	622 Third Avenue New York, NY	Business Service Organization	1983	Present	Director
Council On Financial Aid To Education	680 Fifth Avenue New York, NY	Educational Service	1980	~~President~~	Director
The Business Council	888 Seventeenth St, NW Washington, DC	Business Association	1982	Present	None
The Business Roundtable	200 Park Avenue New York, NY	Business	1981	Jan. '85	Member of Policy and Planning Committees
Institute of Paper Chemistry	Appleton, Wisc.	Industrial Research Organization	1969	1975	Chairman of the Board; Trustee
American Paper Institute	260 Madison Avenue New York, NY	Trade Association	1969	1973	Director
Fourdrinier Kraft Institute	260 Madison Avenue New York, New York	Trade Association	1969	1973	Director
Can Manufacturers Institute	1625 Massachusetts Ave,NW Washington, D.C.	Trade Association	1974	1975	Director
Master Brewers Association	Milwaukee, Wisconsin	Professional Assoc.	1956	1959	None
American Society of Civil Engineers	Unknown	Professional Assoc.	Late 1940's		None
Harvard Club of Westchester Country	Unknown	Scholarship aid and Student recruiting organization	approx. 1950	1956	None

Country Club of Fairfield	Sasco Hill Road Fairfield, CT	Golf & Tennis Club	197
Pequot Yacht Club	Southport, CT	Sailing Club	196
Fairfield County Hunt Club	Long Lots Road Westport, CT	Social Club	196
Aubichwi Gun Club	Fairfield, CT	Shooting Club	19
Aspetuck Fish & Game Club	Bridgeport, CT	Hunting & Fishing Club	19
Clove Valley Rod & Gun Club	LaGrangeville, NY	Hunting & Fishing Club	197
The Links Club	36 East 42nd Street New York, NY	Social & Business Club	19
The River Club of New York	447 East 52nd Street New York, NY	Social Club	19
New York Yacht Club	37 West 44th Street New York, NY	Sailing Club	19
Harvard Club of New York City	27 West 44th Street New York, NY	Social Club	19
Westmoreland Country Club	Glenview, Illinois	Golf Club	19
Chicago Yacht Club	Foot of Monroe St. Chicago, Illinois	Sailing Club	19

Chicago Corinthian Yacht Club	Burnham Park Harbor Chicago, Illinois	Sailing Club	196
The Pinnacle Club	150 East 42nd Street New York, NY	Business Luncheon Club	196
The Landmark Club	1 Landmark Square Stamford, CT	Business Luncheon Club	198
Blind Brook Club	Anderson Hill Road Purchase, NY	Golf Club	195
Gibson Island Club	Gibson Island, Maryland	Golf, Tennis, Sailing & Social Club	195
Milwaukee Country Club	Range Line Road Milwaukee, Wisc.	Golf & Tennis Club	195
University Club	Milwaukee, Wisc.	Social Club	195
Bedford Golf & Tennis Club	Bedford, NY	Golf & Tennis Club	194
The Fox Club	44 Boylston Street Cambridge, MA	College Social Club	194
Hasty Puding-Institute of 1770	Cambridge, MA	College Social Club	193
River Tennis Club	River Hills Milwaukee, WI	Tennis Club	195
Milwaukee Hunt Club	River Hills Milwaukee, WI	Riding Club	195

Saugatuck Fish & Game Club	Redding, CT	Fishing & Hunting	A 1
Oakmont Gun Club	Chicago, Ill.	Shooting Club	1
New Canaan Winter Club	New Canaan, CT	Skating Club	1
Nature Center for Environmental Activities	Westport, CT	Nature study and Museum	a 1
Wakeman Boys Club	Southport, CT	Young people's social club	a 1
Princeton Parents Club	Princeton, NJ	Fund raising	1
Greens Farms Academy Parents Club	Westport, CT	PTA-type organization	a 19
Sigma Xi	Unknown	Scholastic honorary society	19
Pequot Library	Southport, CT	Library	A 19
The Corinthians	New York, NY	Sailing Association	19
CCL Industries	Toronto, Ontario	Manufacturing company	19
Columbia University Business School Advisory Council	New York, NY	Academic institution	La
Ruffed Grouse Society	Coraopolis, PA	Wildlife preservation	19

Also director and officer of numerous wholly-owned subsidiaries of The Continental Group, Inc.

Stephen Bruce Smart, Jr.

ATTACHMENT "B"

QUALIFICATIONS:

Following an engineering education and military service, I have spent 36 years in business. Since 1973, I have served successively as Vice Chairman, President, Chairman and Chief Executive of The Continental Group (formerly Continental Can Co.), a large, diversified multinational company with sales in excess of $5 billion, having over 40,000 employees engaged in the fields of packaging, forest products, insurance, and energy. About 25% of Continental Group's revenues came from 100%-owned operations in Canada and Europe. In addition, the company had substantial equity investments in Australia, Korea, Hong Kong, Saudi Arabia, Mexico, and Brazil, plus license agreements in many other countries, most notably Japan.

In addition to my principal employment, I have been a director for several years of Chase Manhattan Bank, Celanese Corporation, GTE and Rexnord, all large companies with very substantial international activities.

In these positions I have had frequent contact with foreign business and, to a lesser extent, government leaders and have travelled quite widely.

As a member of the Business Council and the Business Roundtable (including its Policy and Planning Committees) I have in recent years been increasingly active in the interrelationship of business and government, and have become widely acquainted with industry leaders pretty much across the spectrum of the American economy.

Continental Group was acquired last year as the end result of a hostile takeover attempt. I, therefore, find myself able to consider a second career, and believe my experience in managing a complex and diverse enterprise, and my wide exposure to international business provide a very suitable background for directing the important activities of the International Trade Administration and its relationships with Congress, other agencies and Executive Departments, foreign governments and private businesses, both domestic and foreign.

I know of no health problems or conflict of interest situations which would interfere with my addressing the job vigorously and objectively.

Stephen Bruce Smart, Jr.

ATTACHMENT "C"

I have resigned from all current directorships, trusteeships, governorships and as an officer of all organizations where I hold such a position (with the exception of Smith College) effective with my confirmation by the Senate. I have also advised each Chairman that from now until confirmation I cannot participate in any meetings, activities or deliberations of his board, or perform any other service while such a resignation is pending.

Terms of Continental Group's severance policy, applicable to all salaried employees, entitle me to a two year period of layoff with salary continuation, after which I become a retiree with pension benefits.

For several years I deferred my compensation as a director of Rexnord. This compensation and investment income earned on it, is being paid out over 15 years under a plan available to all Rexnord directors.

Celanese Corporation provides a "pension" for all retired or resigned directors with more than 5 years service.

Each of these payments is contractual, relates to prior service, and places me under no continuing or future obligation to the company so I intend to retain them. Further details are provided in Attachment "D" in response to Question #2 under "Sources of Income."

Stephen Bruce Smart
ATTACHMENT "D"

(a) As a result of a recent merger, I am on layoff from my previous employer under a salary continuance plan which will pay me at my normal rate (salary and bonus) through March 5, 1987. Thereafter I will receive a normal pension based on final salary and years of service, net of a Social Security offset.

Severance Pay (until 3/5/87)	$57,900/month
Pension (after 3/5/87) - approx.	29,000/month

(b) My director's deferred compensation account (plus accumulated investment earnings) will be paid out by Rexnord over the next 13 years. Quarterly payments vary somewhat with investment experience. To date, the average payment has been $16,362/quarter.

(c) Celanese Corporation pays retired directors one half of the current annual director's retainer as a "pension." Presently, this payment amounts to $3,125/quarter.

(d) While employed by Continental Group, I deferred certain compensation, and participated in a "401 k" savings plan. Each of these funds grows as interest is earned, and will not be paid out (or rolled over into an IRA) until my layoff period ends almost 2 years hence.

Balances are:

Savings Plan (5/21/85)	$510,000
Deferred Compensation Account	180,000

The Deferred Compensation Account will be paid out quarterly over 2 years, probably starting in April, 1987.

I have made no election in the case of the Savings Plan, which has a number of payout options, lump sum or periodic.

(e) In addition to the above, I receive normal insurance-type benefits as a laid off employee -- and subsequently a retiree -- from Continental.

All figures shown are gross amounts prior to deductions for Social Security, savings plan, insurance, and Federal income tax.

All payments are contractual, relate to services already rendered, and are under standard programs for which all other salaried employees (or directors) in a similar situation are eligible. No future service or obligation to the employer is involved.

ATTACHMENT E

UNITED STATES DEPARTMENT OF COMMERCE
The Under Secretary for International Trade
Washington, D.C. 20230

June 10, 1985

MEMORANDUM FOR: Olin L. Wethington
Deputy Under Secretary

Kenn S. George
Director General

Joseph F. Dennin
Assistant Secretary for International Economic Policy

William T. Archey
Acting Assistant Secretary for Trade Administration

H. P. Goldfield
Assistant Secretary for Trade Development

FROM: Bruce Smart
Under Secretary (Designate) Bruce Smart

SUBJECT: Recusal Statement

Prior to my appointment as Under Secretary for International Trade, I obtained holdings in the following corporations which are likely to have matters pending before the International Trade Administration:

Anderson, Clayton & Co.
Celanese
GTE
Rexnord
British Telecom
Ford Motor
Fuji Photo
Great Lakes Chemical IBM
Eli Lilly
Novo Industri
Phillips Petroleum
Uniroyal
Witco Chemical
Woods Petroleum
Xerox

In order to avoid any possible appearance of a conflict of interest, I request that, to the extent feasible, any substantive matter specifically concerning those companies be referred to other officers or employees for appropriate action without my participation or knowledge, unless you are notified that I have disposed of the asset in question. I will promptly recuse myself from participating in any such matters as they arise unless my participation in a particular matter is necessary to the Department. If my participation is necessary, I will seek a waiver of Federal conflict of interest provisions under 18 U.S.C. 208(b) or will divest myself of the asset.

cc: Immediate Staff

○